



Director of
Central
Intelligence

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BRIEFS AND COMMENTS

ETHIOPIA-USSR: New Light on Relations

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during the high-level negotiations between the Soviets and the Ethiopians in Moscow last November, Chairman Mengistu consented to sign a bilateral friendship treaty only after the USSR had agreed to provide a large economic assistance package. The Soviet-Ethiopian relationship is not an easy one. Each side remains suspicious of the other, and the Ethiopians in particular have strong nationalist impulses that lead them to react against the Soviet tendency to be overbearing. Mengistu nevertheless has few options but to rely on Soviet assistance, and the USSR is probably fairly confident that its deep involvement in Ethiopia cannot easily be re-

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The Ethiopian delegation strongly questioned the need for the treaty, as well as the Soviet demand to publicize it, and signed the treaty as a trade-off for economic aid only after certain provisions were removed--including a requirement that Ethiopia provide "facilities" for mutual defense.

USSR

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agreed to sell large amounts of agricultural and construction equipment under a long-term repayment arrangement and to provide study teams and skilled technicians.

We are skeptical that the aid package will total \$2 billion to \$3 billion; this is far out of line with the projects in Ethiopia that the

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USSR is now studying and with the generally cautious tenor of Soviet economic aid policy.

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ISRAEL: Effect of Iranian Oil Cutback

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We now believe that Israel will have a more difficult time replacing oil shipments from Iran [redacted] the odds are rising that sometime in the next several months Israel might have to invoke its claim to US assistance in securing oil supplies. [redacted]

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Our view of the Israeli oil situation is more pessimistic because of the reluctance of oil companies to draw down stocks, the related drop in available spot market supplies, and Israel's continued difficulties in securing new oil contracts. Current arrangements--assuming an average production this year of 35,000 barrels per day from the Alma field in the occupied Gulf of Suez--leave Israel some 60,000 barrels per day short of expected consumption. [redacted]

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Egypt could supply most of Israel's remaining oil needs in the near term and all of its needs in the medium term if a peace treaty were concluded. Egypt currently exports 300,000 barrels per day, and this year's exports are likely to increase to perhaps 375,000 barrels per day, not counting the production of the Alma field. [redacted]

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Although any peace arrangement almost certainly would require that Israel relinquish the Alma field, access to Egyptian oil would balance this loss. During peace negotiations last fall, Israel pressed Egypt for a long-term supply commitment, and it recently reiterated this objective. Egypt has so far rejected a long-term sales contract, but it has told the Israelis that--after a peace treaty--they can bid for some or all of the 65,000 barrels per day of crude that Egypt now sells on the open market. If Israel purchased a large share of this oil, and if it could buy the Egyptian Government's share of any oil that would be jointly produced with Amoco from the Alma field, this could fill most of Israel's uncovered 1979 needs. [redacted]

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EUROPE-USSR-CHINA: Reaction to Arms Sales

Canada and Italy have called for NATO consultations on arms sales to China in reaction to recent letters from Soviet President Brezhnev warning against the sales. Achieving a NATO consensus, however, will not be easy.

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West Germany and the UK have also received messages from Brezhnev. The new letters are similar to the earlier one Brezhnev sent the British in November warning that such sales could have "serious consequences."

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Belgium, the Netherlands, and Norway have supported the call for consultation. The West Germans would probably be in favor but have not said so directly. All of the countries that favor consultation point to the important implications for the East-West relationship of arms sales to China.

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France continues to oppose consultations, while the UK has quietly begun bilateral discussions with members of the Alliance to establish new COCOM procedures for sales to China. France and the UK fear that NATO talks could threaten their prospective arms sales--such as the sale of the British Harrier Jet. The Italians, while equally interested in selling arms, would like to proceed from the security of a common NATO position.

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IRAN: Food Supply Situation

Food supplies in Iran have remained essentially normal thus far, but distribution problems and diminishing stockpiles of some commodities are likely to cause sporadic shortages in the next few months. [redacted] 25X1

The widespread strikes erupted at a time when food stocks were seasonally high; most of the important crops had already been harvested. In addition, food and other perishables were being imported up to mid-December. [redacted] 25X1

Long lines reported at Tehran bakeries at the end of the year were caused by official announcements that fuel supplies might be inadequate to operate area flour mills and bakeries. Stockpiles of such essentials as wheat, sugar, and rice are sufficient for several months. [redacted]

Supplies of red meat and feedgrains are limited, however, and shortages are likely. If feedgrain imports are delayed, additional slaughtering might alleviate the situation, but at the expense of future production of milk, other dairy products, and meat. Fuel shortages could hinder internal distribution of foodstuffs, leading to spot shortages in major urban areas. [redacted] 25X1

The government-controlled prices of bread, milk, meat, and sugar have not risen. Prices for many other items, including rice, vegetables, fruits, and beans, have gone up sharply, but this has not discouraged purchases when these items are available. Purchasing of foodstuffs has in fact risen dramatically over the past month as a result of hoarding. [redacted] 25X1

The food situation could worsen in the next few months, even if some degree of political stability is restored. Letters of credit to finance food imports have not been issued since strikes closed the Central Bank in late November. Some scheduled shipments have been canceled and the supplies diverted to other purchasers. Other shipments may still be released for delivery if letters of credit are issued. Current shipping delays are estimated at 15 to 20 days, but this could increase to 30 to 35 days. [redacted] 25X1

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ISRAEL: Plan for New West Bank Settlement

Members of the radical Gush Emunim organization--the group that promotes Jewish settlements in the Israeli-occupied West Bank--earlier this week voluntarily evacuated an illegal encampment near Nabulus, the largest Arab town in the territory. The pullback followed the government's reported agreement in principle to a new Gush settlement in the Nabulus area. The government has denied that it has made any promises on a date or a site, but Gush leaders say they will establish a new settlement within two months. Prime Minister Begin probably hopes through such vague commitments to mollify restive hawks in his coalition while avoiding serious damage to the peace process and to US-Israeli relations.

Begin is sensitive to the negative international impact of new West Bank settlements. By retaining his right to decide when and where the new settlement will be located, as well as its size, he probably aims at minimizing foreign repercussions and at depriving his opposition of a potential issue.

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Most coalition members favor continuing the freeze on new West Bank settlements to avoid jeopardizing peace negotiations. Hardliners in Begin's dominant Likud bloc, however, and in the National Religious Party, Begin's indispensable coalition ally, want him to make a commitment to new settlements as a means of reaffirming the government's determination to retain control over the territory.

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Begin remains the ultimate arbiter of cabinet debates, but his self-confidence and authority have eroded somewhat in the face of cabinet divisions over peace issues. His reluctance thus far to carry through a planned cabinet reshuffle in the face of squabbling within his own party and strong dissatisfaction with the present distribution of portfolios in the National Religious Party suggests that he feels the need to conciliate and gradually to build support for his plans.

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YUGOSLAVIA: More Leadership Problems

A Yugoslav press release says a party and government leadership meeting in Yugoslavia on Thursday discussed routine business.

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The key issue was selection of replacements for the eight-member collective state presidency. A decision to change the body's membership was made almost a year ago, but nominees for the posts have been unable to claim their positions.

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The fact that this issue was not mentioned in the short press release probably indicates that Party Presidium notables, who also hold positions on the state executive body, have managed to defer their proposed removal from that body. Most of those scheduled to leave were President Tito's comrades-in-arms, and he is doubtless reluctant to force them out.

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Eight senior Presidium members derive substantial additional authority within the leadership from their positions as the top elected spokesmen for their home regions on the state executive.

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Japan: Estimated Trade Account¹

| | Exports | Imports (less emergency imports) | Emergency Imports | Trade Balance |
|-------------------------|---------------|--|----------------------|------------------|
| | Billion US \$ | | | |
| 1977 | 79.3 | 62.0 | 0 | 17.3 |
| 1978 | 96.3 | 68.7 | 2.2 | 25.4 |
| 1979 ² | 102.0 | 78.6 | 2.0 | 21.4 |

¹Balance of payments basis.²Based on a yen/dollar rate of 190.

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JAPAN: Declining Trade Surplus

Despite its still enormous dollar trade surplus, Japan's foreign trade is responding to the massive appreciation of the yen and to government efforts to boost imports.

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Japan's trade surplus increased by \$8.1 billion, to \$25.4 billion, in 1978 largely because of a rise in dollar export prices brought on by the sharp appreciation of the yen. Export volume, however, remained about the same and, for the first time in more than a decade, Japan's share of world markets declined. This was the result of the appreciation of the yen, which brought about a decline in competitiveness, and, to a lesser extent, export restraint that the government had requested.

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Import volume grew 6 percent last year. Apparently because import prices declined as a result of the yen's appreciation, Japanese purchases of manufactures jumped between 15 and 20 percent. However, weak domestic demand for raw materials, food, and fuel prevented an even larger rise in imports. At the same time, \$2.2 billion of foreign goods attributed to the "emergency import" promotion scheme avoided an even larger surplus.

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If the yen does not appreciate further this year, as many analysts now believe, the turnaround in trade volume will reduce Japan's 1979 trade surplus. Export volume this year is likely to be about constant again and, without further yen appreciation, sales abroad will probably increase only 7 percent because of hikes in dollar export prices. Dollar outlays for imports should grow about 14 percent because of a 5-percent increase in the volume of purchases and a 9-percent hike in import prices. Coupled with another \$2 billion in "emergency imports," this could reduce Japan's trade surplus to \$21.4 billion this year.

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MALTA: Western Aid Proposal

France, West Germany, and Italy plan to seek US participation in a plan to aid Malta economically after the British military withdrawal on 31 March. The West Europeans remain unenthusiastic about helping Malta but are likely to stress to the US their concern that the islands could become more open to Soviet influence without assured Western aid.

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The West Germans are apparently charged with drafting the terms of a demarche and, according to the Italians, the West German Ambassador will probably make the approach in Washington. We have no information on the timing of the demarche.

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The West Europeans agreed last week that a similar demarche should also be made to some other non-EC countries--Spain, Greece, Yugoslavia, and Tunisia--likely to have an interest in Malta's future. The French and the Italians are already in touch with Libya, not only to coordinate aid plans--Tripoli has offered "in principle" to assist Malta--but also to neutralize Maltese Prime Minister Mintoff's oft-repeated threat to align Malta exclusively with Libya should the West fail to meet his demands.

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Mediterranean experts from the EC, meanwhile, will meet on Monday to begin drafting a paper that will eventually be presented to the EC Foreign Ministers assessing the political and strategic importance of Malta to the West. The French, the Italians, and the West Germans hope this paper will help broaden support within the EC for financial aid to Malta.

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NORTH KOREA: Comments on Kampuchea

North Korea, after some delay, yesterday publicly branded Vietnam's "massive military action" against Kampuchea a "crude violation" of international law, but stopped well short of threatening a break in party relations with the Vietnamese Communist leadership. North Korea had openly sided with the deposed Pol Pot regime during its border conflict with Vietnam over the past year. The North Koreans also accused Vietnam of following a "dominationist course"--a term that carries implicitly anti-Soviet overtones. This characterization indicates that there has been no slippage in North Korea's more pronounced pro-Chinese stance since the visit last May to North Korea of Chinese party leader Hua Guofeng (Hua Kuo-feng). Pyongyang's stance seems certain to cool any Soviet desire to move ahead with the long-rumored visit to the USSR of North Korean leader Kim Il-song.

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BANGLADESH: End of Election Boycott

President Zia's efforts to break the opposition's planned boycott of the coming parliamentary election have succeeded. Astute maneuvering by Zia in the past few weeks, including the release of more than 400 political prisoners, persuaded most of the moderates to participate in the election. This effectively isolated the last major holdout--an important faction of the Awami League--and that faction reluctantly announced on Tuesday that it would take part in the election, now set for 18 February. Its participation reduces the likelihood of violence during the polling and will serve Zia's goal of enhancing the legitimacy of the new parliament, which will bring three years of martial law to an end.

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MOZAMBIQUE: Reactions to Rhodesian Raids

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Mozambique has reacted by trying to improve its air defenses and by asking the Soviets to accelerate the training of Mozambican pilots in the USSR; apparently it has not seriously considered requesting additional Soviet or Cuban advisers or combat troops.

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Under the terms of a 1976 agreement, the USSR is to provide weapons and advisers for five brigades, but much of the equipment it has already sent is old or obsolete and is performing poorly in Mozambique's harsh climate. There are about 250 Soviet military advisers, instructors, and technicians in Mozambique, as well as an estimated 850 to 1,000 Cuban military personnel.

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Palestine Liberation Organization*

Palestine National Council

Serves as PLO's legislative body
Some 290 members

Palestine Central Council

Theoretically runs the PLO when PNC not
in session. 55 members.

Executive Committee

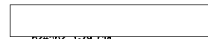
In reality the PLO's highest authority. 15
members. Chairman is Yasir Arafat of Fatah.
Other members:

| | |
|--------------------------|--------------|
| Faruq Qaddumi | -Fatah |
| Zuhayr Muhsin | -Saiqa |
| Yasir Abd Rabbu | -PDFLP |
| Abd al-Rahim Ahmad | - ALF |
| Talal Naji | -PFLP-GC |
| Walid Qamhawi | -Independent |
| Muhammad Nashashibi | -Independent |
| Abd al-Jawad Salih | -Independent |
| Abd al-Muhsin Abu Mayzar | -Independent |
| Hamid Abu Sittah | -Independent |
| Ahmad Sidqi Dajani | -Independent |
| Habib Qahwaji | -Independent |
| Alfred Tubasi | -Independent |
| Ahmad Majdi Abu Ramadan | -Independent |

Political and Military Departments

**The Palestine Liberation Organization is the loosely knit umbrella organization and voice for the
Palestinian nationalist movement. The PFLP withdrew from the PLO Executive Committee in 1974.*

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SPECIAL ANALYSIS

PALESTINIANS: Meeting of National Council

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The Palestine National Council, the legislative body of the Palestine Liberation Organization, will grapple with a number of particularly divisive issues when it meets in Damascus on Monday, but it is unlikely to amend substantially PLO policies on peace negotiating issues. Although Palestinian hardliners will probably gain additional seats on the PLO Executive Committee, Yasir Arafat and his Fatah colleagues probably will maintain their dominant position on that body and within the other organs of the PLO. A program formulated some months ago to enhance unity among the Palestinian activist groups must be ratified, but maintaining the facade of solidarity will be difficult in light of continuing differences among these organizations.

The almost 300 members of the Palestine National Council meet only sporadically--the last time was in early 1977--and supposedly set policy guidelines that PLO leaders must follow when the council is not in session. The National Council meetings usually involve considerable give-and-take, and an attempt is made to formulate policies that will at least nominally encompass the diversity of opinion within Palestinian ranks. The lowest common denominator is usually sought as a means of achieving a consensus, and radical departures from past positions are rare.

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The general outlines of the PLO's political program for the coming months will be presented to the Council for ratification. the program includes a number of familiar points such as a call for Palestinian self-determination, rejection of both the Camp David accords and the limited self-rule plan offered by Israel, and continued opposition to UN

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Security Council Resolution 242, which speaks of the Palestinians merely as a refugee problem rather than in political terms. 25X1 25X1

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[redacted] PLO moderates led by Yasir Arafat could lobby for a somewhat softer line toward Resolution 242, but there is likely to be continuing opposition to explicit acceptance of it. In line with recent statements by Fatah leaders, Arafat might also express the PLO's willingness to live in peace with Israel if an independent Palestinian state is established in the occupied territories. Palestinian extremists, however, will work to block such a move.

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Discussion of the PLO's reconciliation talks with Jordan, which began some weeks ago, will be particularly troublesome. Arafat and other Fatah leaders have supported these discussions as a means of ensuring Jordanian cooperation in achieving Palestinian objectives, and some moderates have even privately indicated their willingness to let Jordan negotiate for the PLO as long as the organization clearly retains its position as sole representative of the Palestinian people. [redacted]

More extreme Palestinians oppose even the recent dialogue with Jordan because they feel it indicates a willingness to compromise with King Hussein without receiving sufficient concessions. The PNC, however, will probably endorse some form of continuing contacts with Jordan, and Arafat may be authorized to visit Amman in the near future. [redacted] 25X1

The chairman of the National Council, Khalid Fahum, is reported to have indicated that one of the primary goals of the meeting will be to endorse a plan for Palestinian unity. The unity plan apparently calls for a more centralized command structure within the PLO, closer cooperation among the various military groups of the PLO,

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Palestinian Activist Groups

Favor Negotiated Settlement

Fatah - Central Committee Chairman,
Yasir Arafat. Independent.
7,000 to 10,000 militia.

Saiqa - Led by Zuhayr Muhsin.
Controlled by Syria.
2,000 to 4,000 militia.

Popular Front for the Liberation of
Palestine-General Command (PFLP-GC)
- Led by Ahmad Jabril.
Pro-Syrian. 200 militia.

Vacillating

Popular Democratic Front for the Liberation
of Palestine (PDFLP)
- Led by Nayif Hawatmah.
Independent Marxist. 300 to 500 militia.

Reject Negotiated Settlement

Popular Front for the Liberation of Palestine (PFLP)
- Led by George Habbash.
Independent radical. 500 to 1,000 militia.

Front for the Liberation of Palestine (FLP)
- Led by Muhammad Abbas.
Radical, pro-Iraqi. 100 to 200 militia.

Arab Liberation Front (ALF)
- Led by Abd al-Rahim Ahmad.
Controlled by Iraq. 300 to 500 militia.

Popular Struggle Front (PSF)
- Led by Samir Ghushi.
Controlled by Iraq. Less than 200 Militia.

Black June
- Led by Sabri al-Banna.
Radical. Close to Iraq. Less than 200 militia.

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and greater coordination in the fields of finance and information. Although resolutions along these lines may well be adopted, the fundamental policy differences and suspicions that have divided the PLO for years remain unresolved, and none of the Palestinian activist groups is likely to agree to measures that would significantly erode its independence. [redacted] 25X1

One aspect of the unification effort will probably be implemented, however, by the assignment of seats on the PLO Executive Committee to the more extreme Palestinian activist groups. The Popular Front for the Liberation of Palestine--which withdrew from the PLO in 1974 in protest over Fatah's moderate policy line--as well as the Iraqi-backed Popular Struggle Front and the Front for the Liberation of Palestine may be given positions on the committee. [redacted] 25X1

The inclusion of these hardliners may make it more difficult for moderate Palestinian leaders to gain formal PLO acceptance of their views. Arafat almost certainly will be reappointed Chairman of the Executive Committee, however, and Fatah's continued dominance of that body is likely to be ensured through the presence on the committee of several Fatah members and independents who generally side with Arafat on most issues. [redacted] 25X1

The perennial controversial proposal to form a Palestinian government-in-exile will apparently be resurrected. This step has recently been advocated by some Palestinian leaders, but important groups remain opposed. Most Fatah officials apparently believe that such a government should be formed only after the Palestinians have obtained their own territorial entity. They argue that attempts to allocate the various ministerial portfolios before then would seriously divide the PLO. [redacted] 25X1

Syria and the Palestinian groups it controls also are opposed to a government-in-exile apparently because Syrian leaders are apprehensive that its establishment would weaken their influence over the PLO. Jordan fears that such a government would serve to enhance the PLO's stature among the country's approximately 1 million Palestinians. [redacted] 25X1

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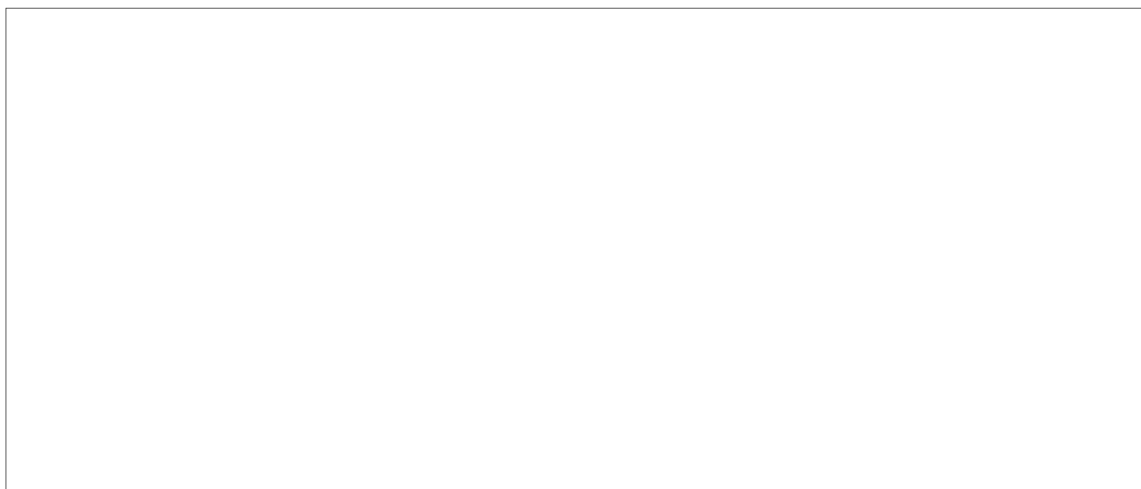
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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

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USSR-Eastern Europe

In accordance with the Helsinki agreement of 1975, the Soviets notified the US and other Western governments yesterday that they and the Czechoslovaks will hold a joint exercise in Czechoslovakia during the first week in February. The statement said some 26,000 troops from both ground and air force units will take part in the exercise.

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Canada-Mexico

According to press reports, a spokesman for Canadian Energy Minister Gillespie, who began an official visit to Mexico on Wednesday, yesterday said that Mexico has agreed in principle to supply Canada with oil for a five-to 10-year period. The spokesman indicated that Mexico might begin to supply Canada with 15,000 barrels per day by late this year to rise to 100,000 barrels per day by 1981. He suggested 1 May as a possible date for signing the agreement. Canadian negotiating teams reportedly will soon go to Mexico to discuss prospects for supplying Mexico with nuclear and mining technology, farm products, and coal in exchange for the oil. [REDACTED]

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Japan-Thailand

Tokyo's press today alleges that Japan has decided to increase credits to Thailand, but the US Embassy there reports that a ranking Japanese Foreign Ministry official later termed the reports "premature." He said discussions with an advance party preparing for the coming visit of Thai Prime Minister Kriangsak will continue through the weekend as will the review of the level of aid to Thailand. The official said the Foreign Ministry wants to increase aid to Bangkok because of the Vietnamese incursion into Kampuchea and is seeking to convince the Finance Ministry to approve that step. [REDACTED]

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